Chief Albert Luthuli Local Municipality
(Registration number MP301)
Annual Financial Statements
for the year ended 30 June 2019

General Information

Legal form of entity	Local Municipality
Municipal Demarcation Code	MP301
Executive Mayor	Nkosi DP
Speaker	Mngomezulu MW
Chief Whip	Masuku-Sidu L
Mayoral committee	Magagula MP
	Nkosi SZ
	Makhubela NV
	Mnisi-Nkosi N
Councillors	Cindi NR
	Ginindza SV
	Dludlu Z.M
	Lubede E.J
	Mbhele J.S
	Motaung R.M
	Mthombeni S.F
	Ngubeni A
	Nkosi A.D
	Nkosi G.J
	Nkosi J.S
	Nkosi V.L
	Shabangu L.D
	Nkosi TJ
	Sikhakhane N.B
	Simelane J.D
	Thomo N.G
	Thabede MJ
	Mthembu MS
	Malaza MA
	Nkosi BG
	Ngwenya RD
	Nkosi TS
	Shongwe JD
	Jele JJ
	Nhlabathi NC
	Khumalo MJ
	Mkwhanazi HLZ
	Zulu GG
	Ngoma ZSG
	Van Der Walt L
	Ntjana ML
	Matshaba ML
	Hlabathi PZ
	Zwane FC
	Ndebele JCH
	Nkosi SP
	Zulu W

General Information

	Mbuli TG Mnisi ST Khoza DP
Accounting Officer	MS Dlamini
Registered office	28 Kerk Street Carolina Mpumalanga 1185
Business address	28 Kerk Street Carolina Mpumalanga 1185
Postal address	Private Bag X24 Carolina 1185
Grading of Local Authority	Grade 3
Chief Financial Officer (CFO)	Mnisi MGT
Bankers	Standard Bank of South Africa Limited
Auditors	Auditor-General of South Africa Chartered Accountants (S.A.) Registered Auditors
Attorneys	Guzana Attorneys Macbeth Ncongwane Attoneys Mokoena Khulani Attoneys TMN Kgomo Attorneys Mohlala Attoneys

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
VAT	Value Added Tax
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Financial Management Grant
WSIG	Water Service Infrastructure Grant
INEP	Integrated National Electrification Programme

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The annual financial statements set out on pages 7 to 84, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2019 and were signed on by:

Accounting Officer
M.S Dlamini

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2019.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet four times per annum as per its approved terms of reference. During the current year four meetings were held.

Name of member	Number of meetings attended
Stanley Ngobeni (Professional Accountant, SA Tax Professional, RGA) (Chairperson)	4
Sanele Gumbi (MBA)	3
Siyakhula Simelane CA(SA)	4
Tichoane Zororo (CIA, CISA, CISM, CRMA, CRISC, CGEIT, COBIT Assessor	1

Audit committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 166 of the Municipal Finance Management Act and Circular 65 issued by National Treasury. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, and it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

The effectiveness of internal control

Our review of the internal control environment revealed that there has been a room for improvement in the system of internal control of the municipality and reducing qualification issues of previous year. Furthermore, there are several deficiencies in the system of internal control and/or deviations there were reported by the internal auditors and the Auditor-General. However, the Audit Committee notes management’s commitment and action plan to correct deficiencies.

In-Year Management and Monthly/Quarterly Report

The municipality does have an effective monthly and quarterly reporting system to the Council as required by the Municipal Finance Management Act (MFMA).

Performance management

The audit committee reviewed functionality of the performance management system and it appears to be somewhat functional, however there is a room for improvement in so far as achievement of planned targets is concerned and submission of portfolio of evidence timeously.

Internal audit

The audit committee is satisfied with the effectiveness of Internal Audit, and recommend that Management and Council should capacitating this unit.

Risk management

The audit committee is of the opinion that municipality’s risk management appears to be effective for the better of the year and material respect, and the municipality did implement a comprehensive risk management strategy and related policies. Management has no sound and effective approach has been followed in developing strategic risk management plans and there is a sense of appreciation of the impact of the municipality’s risk management framework on the control environment. There is a room for improvement in so far as fraud prevention.

Compliance with laws and regulations

A number of non-compliance with the enabling laws and regulations were revealed by Audit Committee, AGSA, and Internal Audit during the year. Thus there is a room for improvement in so far as establishing an effective system for monitoring compliance with laws and regulations and the results of management’s investigation and follow-up (including disciplinary action) of any instances of noncompliance.

Audit Committee Report

Progress in implementation of AGSA findings from prior year

AGSA recommendations were not fully implemented by management at the time of this report. There is a room for improvement in this regard and the audit committee recommended to the municipality to prioritise the implementation of recommendations by AGSA..

Progress on implementations of Internal audit recommendations

A material number of internal audit recommendations were implemented by management. There is a room for improvement in this regard and thus, audit committee recommended to municipality to prioritise the implementation of recommendations by Internal Audit.

Implementations of Audit Committee Recommendations by management

A material number of Audit committee recommendations to management were implemented. There is a room for improvement in this regard and thus, audit committee recommended to municipality to fast track the implementation of recommendations by Audit Committee.

Conclusion

The Audit and Risk Committee wishes to acknowledge the commitment from Council, management and staff of the municipality. The stability in terms of the political and administrative leadership of the municipality has contributed to these improvements report above. We would also like to thank the Executive Mayor for his support, Councillors, senior management for their efforts and internal audit for their contribution.

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2019.

1. Review of activities

Main business and operations

2. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R 1 208 864 902 and that the municipality's total assets exceed its liabilities by R 1 293 565 365.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance other than arson at the Silobela building that was burnt down.

4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations of such Statements issued by the Accounting Standards Board.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
MS Dlamini	South African

Chief Albert Luthuli Local Municipality

(Registration number MP301)
Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand		Note(s)	2019	2018
Assets				
Current Assets				
Cash and cash equivalents	32.20	3	12 545 902	11 640 553
Receivables from exchange transactions	31.20.20	4	57 374 511	58 712 776
Receivables from non-exchange transactions	33.20	5	199 068 469	141 443 128
Inventories	30.20	6	3 593 232	3 582 735
Investments	25.26-28	7	3 998 516	3 685 056
VAT receivable	31.20.15	51	22 607 359	24 314 779
Operating lease asset	25.29	8	200 969	263 134
			299 388 958	**243 642 161**
Non-Current Assets				
Investments	25.26-28	7	384 683	357 325
Investment property	21.20	9	35 327 000	69 903 786
Property, plant and equipment	20.20	10	1 269 627 524	1 090 986 324
			1 305 339 207	**1 161 247 435**
Non-Current Assets			1 305 339 207	1 161 247 435
Current Assets			299 388 958	243 642 161
Total Assets			**1 604 728 165**	**1 404 889 596**
Liabilities				
Current Liabilities				
Payables from exchange transactions	51.20	11	202 022 222	186 147 485
Finance lease obligation	25.29	12	4 353 604	1 133 200
Unspent conditional grants and receipts	43.20	13	857 134	857 134
Provisions	52.20	14	11 730 623	11 292 783
			218 963 583	**199 430 602**
Non-Current Liabilities				
Finance lease obligation	25.29	12	5 123 162	1 406 075
Provisions	52.20	14	67 717 671	57 529 053
Employee benefit obligation	27.22	15	10 691 483	9 283 901
Long service award	43.27	16	8 666 951	7 784 710
			92 199 267	**76 003 739**
Non-Current Liabilities			92 199 267	76 003 739
Current Liabilities			218 963 583	199 430 602
Total Liabilities			**311 162 850**	**275 434 341**
Assets			1 604 728 165	1 404 889 596
Liabilities			(311 162 850)	(275 434 341)
Net Assets			**1 293 565 315**	**1 129 455 255**
Accumulated surplus	40.24		1 208 864 902	1 044 755 422
Reserves				
Revaluation reserve	40.22	17	84 700 463	84 700 463
Total Net Assets			**1 293 565 365**	**1 129 455 885**

Chief Albert Luthuli Local Municipality

(Registration number MP301)
Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018
Revenue			
Revenue from exchange transactions			
Service charges	19	51 914 832	62 663 352
Rental Income	20	1 296 695	1 176 541
Interest received - consumers	21	52 733 465	33 407 122
Licences and permits	23	31 438	2 745
Other Income	24	1 677 787	3 097 490
Commissions received		223 830	-
Rental income		145 878	-
Gains on disposal of assets	18	-	554 057
Interest received - investment	25	3 815 335	2 660 776
Total revenue from exchange transactions		**111 839 260**	**103 562 083**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	102 112 052	69 082 052
Transfer revenue			
Government grants & subsidies	27	411 182 203	388 376 893
Donations	28	130 848 720	10 000
Fines	22	5 926 254	10 083 165
Total revenue from non-exchange transactions		**650 069 229**	**467 552 110**
		111 839 260	103 562 083
		650 069 229	467 552 110
Total revenue	18	**761 908 489**	**571 114 193**
Expenditure			
Employee related costs	29	(165 917 018)	(159 913 775)
Remuneration of councillors	30	(18 504 603)	(18 555 372)
Depreciation and amortisation	31	(46 895 325)	(43 837 995)
Finance costs	32	(12 137 048)	(27 104 634)
Debt Impairment	34	(101 759 417)	(70 028 039)
Bad debts written off	34	(185 733)	-
Bulk purchases	35	(84 412 432)	(36 735 780)
Contracted services	36	(62 843 251)	(40 686 785)
Loss on disposal of assets and liabilities		(18 065 946)	-
Fair value adjustments	38	(16 510 840)	-
General Expenses	37	(70 752 920)	(55 886 592)
Repairs and maintenance		-	(15 372 938)
Total expenditure		**(597 984 533)**	**(468 121 910)**
		-	-
Total revenue		761 908 489	571 114 402
Total expenditure		(597 984 533)	(468 121 910)
Operating surplus/deficit		-	-
Surplus for the year		163 923 956	102 992 492
Surplus for the year		**163 923 956**	**102 992 492**

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2017	**84 700 463**	**941 762 930**	**1 026 463 393**
Changes in net assets			
Surplus for the year	-	102 992 492	102 992 492
Total changes	-	102 992 492	102 992 492
Balance at 01 July 2018	**84 700 463**	**1 044 755 213**	**1 129 455 676**
Changes in net assets			
Surplus for the year	-	164 109 689	164 109 689
Total changes	-	164 109 689	164 109 689
Balance at 30 June 2019	**84 700 463**	**1 208 864 902**	**1 293 565 365**
Note(s)	17		

Chief Albert Luthuli Local Municipality

(Registration number MP301)
Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018
Cash flows from operating activities			
Receipts			
Service charges		52 871 645	34 253 527
Government grants and subsidies		411 182 203	388 151 669
Interest received - investments		3 815 335	2 660 776
Interest income - consumers		11 345 942	33 407 122
Other receipts		21 432 954	14 369 941
		500 648 079	472 843 035
Payments			
Employee related costs		(171 346 771)	(174 629 622)
Suppliers		(192 402 703)	(197 344 012)
Finance costs		(1 142 886)	(150 443)
		(364 892 360)	(372 124 077)
Total receipts		500 648 079	472 843 035
Total payments		(364 892 360)	(372 124 077)
Net cash flows from operating activities	40	**135 755 719**	**100 718 958**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(120 487 213)	(89 607 628)
Proceeds from sale of property, plant and equipment	10	-	820 203
Movement in operating lease asset		-	351 605
Movement in Investments		-	(143 947)
Proceeds from sale of financial assets		(340 818)	-
Net cash flows from investing activities		**(132 173 973)**	**(88 579 767)**
Cash flows from financing activities			
Movement in provision		-	(1 483 926)
Finance lease payments		(2 676 397)	(977 433)
Net cash flows from financing activities		**(2 676 397)**	**(2 461 359)**
Net increase/(decrease) in cash and cash equivalents		**905 349**	**9 677 832**
Cash and cash equivalents at the beginning of the year		11 640 553	1 962 721
Cash and cash equivalents at the end of the year	3	**12 545 902**	**11 640 553**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	51 493 711	(355 171)	**51 138 540**	51 914 832	**776 292**	
Rental income	1 052 310	(535 674)	**516 636**	1 296 695	**780 059**	
Interest received- consumers	19 623 291	17 089 000	**36 712 291**	52 733 465	**16 021 174**	
Licences and permits	-	-	**-**	31 438	**31 438**	
Other income	8 398 804	(2 960 615)	**5 438 189**	1 677 787	**(3 760 402)**	
Commissions received	-	-	**-**	223 830	**223 830**	
Rental income	-	-	**-**	145 878	**145 878**	
Interest received - investment	-	-	**-**	3 815 335	**3 815 335**	
Total revenue from exchange transactions	**80 568 116**	**13 237 540**	**93 805 656**	**111 839 260**	**18 033 604**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	87 467 235	5 686 200	**93 153 435**	102 112 052	**8 958 617**	
Licences and Permits (Non-exchange)	2 106	(2 106)	**-**	-	**-**	
Interest, Dividends and Rent on Land	10 844 887	-	**10 844 887**	-	**(10 844 887)**	
Transfer revenue						
Government grants & subsidies	410 833 000	(16 677 000)	**394 156 000**	411 182 203	**17 026 203**	
Public contributions and donations	-	-	**-**	130 848 720	**130 848 720**	
Fines, Penalties and Forfeits	163 049	4 802 400	**4 965 449**	5 926 254	**960 805**	
Total revenue from non-exchange transactions	**509 310 277**	**(6 190 506)**	**503 119 771**	**650 069 229**	**146 949 458**	
'Total revenue from exchange transactions'	80 568 116	13 237 540	**93 805 656**	111 839 260	**18 033 604**	
'Total revenue from non-exchange transactions'	509 310 277	(6 190 506)	**503 119 771**	650 069 229	**146 949 458**	
Total revenue	**589 878 393**	**7 047 034**	**596 925 427**	**761 908 489**	**164 983 062**	
Expenditure						
Personnel	(156 799 137)	-	**(156 799 137)**	(165 917 018)	**(9 117 881)**	
Remuneration of councillors	(26 387 173)	-	**(26 387 173)**	(18 504 603)	**7 882 570**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Depreciation and amortisation	(41 220 501)	-	**(41 220 501)**	(46 895 325)	**(5 674 824)**	
Finance costs	-	-	**-**	(12 137 048)	**(12 137 048)**	
Lease rentals on operating lease	(2 399 645)	1 000 000	**(1 399 645)**	-	**1 399 645**	
Debt Impairment	-	-	**-**	(101 759 417)	**(101 759 417)**	
Bad debts written off	(51 538 612)	-	**(51 538 612)**	(185 733)	**51 352 879**	
Bulk purchases	(66 075 510)	(20 000 000)	**(86 075 510)**	(84 412 432)	**1 663 078**	
Contracted Services	(67 200 244)	3 992 414	**(63 207 830)**	(62 843 251)	**364 579**	
Transfers and Subsidies	(135 711 131)	(135 711 131)	**(271 422 262)**	-	**271 422 262**	
Sale of goods/Inventory	(8 661 322)	-	**(8 661 322)**	-	**8 661 322**	
General Expenses	(33 563 682)	1 628 476	**(31 935 206)**	(70 567 187)	**(38 631 981)**	
Total expenditure	**(589 556 957)**	**(149 090 241)**	**(738 647 198)**	**(563 222 014)**	**175 425 184**	
	589 878 393	7 047 034	**596 925 427**	761 908 489	**164 983 062**	
	(589 556 957)	(149 090 241)	**(738 647 198)**	(563 222 014)	**175 425 184**	
Operating surplus	**321 436**	**(142 043 207)**	**(141 721 771)**	**198 686 475**	**340 408 246**	
Loss on disposal of assets and liabilities	-	-	**-**	(18 065 946)	**(18 065 946)**	
Fair value adjustments	-	-	**-**	(16 510 840)	**(16 510 840)**	
	-	**-**	**-**	**(34 576 786)**	**(34 576 786)**	
	321 436	(142 043 207)	**(141 721 771)**	198 686 475	**340 408 246**	
	-	-	**-**	(34 576 786)	**(34 576 786)**	
Surplus before taxation	**321 436**	**(142 043 207)**	**(141 721 771)**	**164 109 689**	**305 831 460**	
Deficit before taxation	321 436	(142 043 207)	**(141 721 771)**	164 109 689	**305 831 460**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**321 436**	**(142 043 207)**	**(141 721 771)**	**164 109 689**	**305 831 460**	

Reconciliation

Chief Albert Luthuli Local Municipality
(Registration number MP301)
Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	-	3 593 232	**3 593 232**	
Investments	-	-	-	3 998 516	**3 998 516**	
Operating lease asset	-	-	-	200 969	**200 969**	
Receivables from non-exchange transactions	-	-	-	199 068 469	**199 068 469**	
VAT receivable	-	-	-	22 607 359	**22 607 359**	
Consumer debtors	-	-	-	57 374 511	**57 374 511**	
Cash and cash equivalents	-	-	-	12 545 902	**12 545 902**	
	-	**-**	**-**	**299 388 958**	**299 388 958**	
Non-Current Assets						
Investment property	-	-	-	35 327 000	**35 327 000**	
Property, plant and equipment	-	-	-	1 269 627 524	**1 269 627 524**	
Investments	-	-	-	384 683	**384 683**	
	-	**-**	**-**	**1 305 339 207**	**1 305 339 207**	
Non-Current Assets	-	-	-	299 388 958	**299 388 958**	
Current Assets	-	-	-	1 305 339 207	**1 305 339 207**	
Total Assets	**-**	**-**	**-**	**1 604 728 165**	**1 604 728 165**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	4 353 604	**4 353 604**	
Payables from exchange transactions	-	-	-	202 022 222	**202 022 222**	
Unspent conditional grants and receipts	-	-	-	857 134	**857 134**	
Provisions	-	-	-	11 730 623	**11 730 623**	
	-	**-**	**-**	**218 963 583**	**218 963 583**	
Non-Current Liabilities						
Finance lease obligation	-	-	-	5 123 162	**5 123 162**	
Employee benefit obligation	-	-	-	10 691 483	**10 691 483**	
Provisions	-	-	-	67 717 671	**67 717 671**	
Long Service Award	-	-	-	8 666 951	**8 666 951**	
	-	**-**	**-**	**92 199 267**	**92 199 267**	
	-	-	-	218 963 583	**218 963 583**	
	-	-	-	92 199 267	**92 199 267**	
	-	-	-	-	**-**	
Total Liabilities	**-**	**-**	**-**	**311 162 850**	**311 162 850**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Assets	-	-	-	1 604 728 165	**1 604 728 165**	
Liabilities	-	-	-	(311 162 850)	**(311 162 850)**	
Net Assets	**-**	**-**	**-**	**1 293 565 315**	**1 293 565 315**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	-	-	84 700 464	**84 700 464**	
Accumulated surplus	-	-	-	1 208 864 851	**1 208 864 851**	
Total Net Assets	**-**	**-**	**-**	**1 293 565 315**	**1 293 565 315**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Cash Flow Statement

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), icluding any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures have been rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables, is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value to the tangible assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the patterrn in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

The municipality used the government bond rate todiscount future cash flows except where stated otherwise..

Allowance for doubtful debts

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receibables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.3 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value, refer to note 9.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 10).

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Accounting Policies

1.4 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment and will be transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life

Accounting Policies

1.4 Property, plant and equipment (continued)

Land	Straight line	Indefinite
Buildings	Straight line	10 - 50 years
Landfill site	Straight line	0-100
Infrastructure	Straight line	15 - 80 years
Community	Straight line	10 - 50 years
Other property, plant and equipment	Straight line	2 - 35 years
• Vehicles		
• - Furniture		
• - Leased assets		

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 30)"General Expenses".

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Accounting Policies

1.5 Financial instruments (continued)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Accounting Policies

1.5 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange	Financial asset measured at amortised cost
Other fiancial assets	Financial asset measured at amortised cost
Receivables from non-exchange	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade payables	Financial liability measured at amortised cost

The municipality has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Accounting Policies

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.5 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Accounting Policies

1.6 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rents are recognised seperately as an expense in the period in which they are incurred

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water is regarded as inventories when the municipality purchases water in bulk with the intention to resell it to consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in water dams under control of the municipality, that are filled by natural resources and that has not yet been treated, cannot be measured reliably as there is no cost attached to the water, and is therefore not recognised as inventories.

1.8 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

1.8 Impairment of cash-generating assets (continued)

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.9 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

1.9 Impairment of non-cash-generating assets (continued)

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.9 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.10 Employee benefits

Short-term employee benefits

Short-term employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
.
Wages, salaries and social security contributions. Short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service; bonus and performance related payments payable within twelve months after the end of the reporting period in which employees render the related service and non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing ,cars and cellphones) for current employees
.
The municipality recognise the expected cot of bonus and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.
.
A present obligation exists when the municipality has no realistic alternative but to make the payments.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Accounting Policies

1.10 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

1.11 Provisions and contingencies (continued)

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.8 and 1.9.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.11 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on municipalities in accordance with legislation (i.e. laws and/or regulations), other than:
- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time.

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.12 Discontinued operations

Discontinued operation is a component of the municipality that has been disposed of and:
- represents a distinguishable activity, group of activities or geographical area of perations
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled entity acquired exclusively with a view to resale.

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  A component of the municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality

1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.15 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transactions will flow to the municipality.
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective,which-ever is earlier.
When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transactions will flow to the municipality
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restricitions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Concessionary loans receved

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue, is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exists in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.17 Service concession arrangements : Grantor

A service concession arrangement is a contractual arrangement between a grantor (the muncipality) and an operator in which:l

- the operator uses the service concession asset to provide a mandated function on behalf of the municipality for a specified period of time; and
- the operator is compensated for its services over the period of the service concession arrangement.

  .
  A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:
- is provided by the operator which:
  - the operator constructs, develops, or acquires from a third party; or
  - is an existing asset of the operator
- is provided by the grantor (municipality) which:
  - is an existing asset of th municipality; or
  - is an upgrade to an existing asset of the municipality.

An asset is provided by the operator, or an upgrade to an existing asset of the municipality is recognised as a service concession asset if:

- the municipality controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price;
- the municipality controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement

The municipality measures initially a service concession asset at its fair value.

The municipality recognises a liability where a service concession asset is recognised.

The liability is initially recognised at the same amount as the service concession asset, adjusted by the amount for any consideration from the municipality to the operator, or from the operator to the municipality.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the liability is accounted for as a financial liability in accordance with GRAP 104.
.
The payments made to the operator are accounted for according to their substance as:

- a reduction in the liability recognised
- a finance charge; and
- charges for services provided by the operator.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments are allocated by reference to the relative fair values of the service concession asset and the services. If not, the service component of payments is determine using valuation techniques.

Where the municipality does not have an unconditional obligation to pay cash or another financial asset to the operator, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the liability is accounted for as the unearned portion of revenue arising from the exchange of assets between the municipality and the grantor.

The liability is reduced and revenue recognised according to the substance of the service concession arrangement.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

.
Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality’s approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;

Accounting Policies

1.19 Unauthorised expenditure (continued)

- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of ‘‘allocation’’ otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credit against accumulated surplus when retrospective adjustments are made.

Accounting Policies

1.23 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance

1.24 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in note 41.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed if both the following criteria are met:

- contracts are non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.25 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

.
These transfers are recognised in the statement of financial performance as expenses in the period that the events giving raise to the transfer occurred

1.26 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

Accounting Policies

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.29 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria,conditions or obligations have not been met a liability is recognised.

1.30 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Expenses are recognised as when they satisfy the definitions and recognition criteria for those elements in the Framework for the Preparation and Presentation of Financial Statements

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	01 April 2018	
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2099	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2099	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2099	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2099	Unlikely there will be a material impact
• GRAP 110: Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	Unlikely there will be a material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 852	1 277
Bank balances	4 834 858	4 074 759
Call accounts	7 708 192	7 564 517
	12 545 902	**11 640 553**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2019	**30 June 2018**	**30 June 2017**	**30 June 2019**	**30 June 2018**	**30 June 2017**
Standard Bank - Account Type - 033-255-954	8 052 619	4 046 685	378 383	-	-	378 383
Standard bank -Investment Account type - 038478668-002	2 300 868	8 524	241 073	-	-	241 073
Standard Bank - Investment Account - 308654552-001	4 018 712	74 940	1 341 647	-	-	1 341 647
Standard bank - Investment - Account Type - 038478668-003	292 540	6 629 961	-	-	6 629 961	-
Standard bank - Investment - Account Type - 038478668-004	1 096 069	851 092	-	-	851 092	-
Standard bank - Cheque Account - 31686648	148 952	28 075	-	-	28 075	-
Total	**15 909 760**	**11 639 277**	**1 961 103**	**-**	**7 509 128**	**1 961 103**

4. Receivables from exchange transactions

Gross balances		
Consumer debtors - Electricity	18 408 154	14 099 978
Water	16 913 092	15 562 863
Sewerage	60 551 568	51 204 114
Refuse	52 241 150	42 823 251
Magoveni	1 485 294	1 485 294
Shatadi	918 659	918 659
Other	4 866 456	23 724 729
	155 384 373	**149 818 888**

Less: Allowance for impairment		
Electricity	(11 793 539)	(7 443 137)
Water	(10 835 699)	(6 587 824)
Sewerage	(38 793 532)	(34 456 107)
Refuse	(33 469 302)	(28 009 845)
Other	(3 117 789)	(14 609 199)
	(98 009 861)	**(91 106 112)**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

4. Receivables from exchange transactions (continued)

Net balance		
Electricity	6 614 614	6 656 841
Water	6 077 393	8 975 039
Sewerage	21 758 036	16 748 007
Refuse	18 771 848	14 813 406
Magoveni	1 485 294	1 485 294
Shatadi	918 659	918 659
Other	1 748 667	9 115 530
	57 374 511	**58 712 776**

Electricity		
Current (0 -30 days)	3 015 348	2 071 232
31 - 60 days	889 502	1 177 667
61 - 90 days	614 103	1 442 176
91 - 120 days	13 793 539	9 408 904
Less: Allowance for impairment	(11 793 539)	(7 443 138)
	6 614 614	**6 656 841**

Water		
Current (0 -30 days)	1 702 236	4 901 559
31 - 60 days	626 288	367 069
61 - 90 days	975 129	302 713
91 - 120 days	13 609 440	9 991 522
Less: Allowance for impairment	(10 835 699)	(6 587 824)
	6 077 393	**8 975 039**

Sewerage		
Current (0 -30 days)	2 418 266	906 396
31 - 60 days	963 107	759 846
61 - 90 days	948 585	715 492
91 - 120 days	48 209 610	48 822 380
Less: Allowance for impairment	(33 469 302)	(34 456 107)
	21 758 036	**16 748 007**

Refuse		
Current (0 -30 days)	2 240 772	911 138
31 - 60 days	899 618	803 695
61 - 90 days	891 150	764 269
91 - 120 days	48 209 610	40 344 149
Less: Allowance for impairment	(33 469 302)	(28 009 845)
	18 771 848	**14 813 406**

Magoveni		
> 365 days	1 485 294	1 485 294

Shatadi		
> 365 days	918 659	918 659

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

4. Receivables from exchange transactions (continued)

Other (specify)		
Current (0 -30 days)	335 254	586 013
31 - 60 days	146 577	497 825
61 - 90 days	145 942	487 767
91 - 120 days	4 238 684	22 153 124
Less: Allowance for Impairment	(3 117 789)	(14 609 199)
	1 748 667	**9 115 530**

Reconciliation of allowance for impairment		
Balance at beginning of the year	91 106 112	74 929 360
Contributions to allowance	6 903 750	16 176 752
	98 009 862	**91 106 112**

Consumer debtors pledged as security

None of the consumer receivables were pledged as security.

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Consumer debtors impaired

As of 30 June 2019, consumer debtors of R98 009 862 (2018: R91 106 112) were impaired and provided for.

The amount of the provision for the year ended 30 June 2019 was R6 903 750 (2018: R16 176 752)

5. Receivables from Non-Exchange Transactions

Gross balances		
Consumer debtors - Rates	545 847 625	398 649 058
Traffic Fines	37 544 322	32 505 708
Staff Debtors	309 717	2 320 089
	583 701 664	**433 474 855**

Less: Allowance for impairment		
Consumer debtors - Rates	(349 707 827)	(261 809 647)
Traffic fines	(37 179 573)	(30 222 080)
	(386 887 400)	**(292 031 727)**

Net balance		
Consumer debtors - Rates	196 139 798	136 839 405
Other Trade debtor	2 280 670	-
Staff debtors	309 717	309 717
Traffic fines	603 709	2 283 628
	199 333 894	**139 432 750**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

5. Receivables from Non-Exchange Transactions (continued)

Property rates		
Current (0 -30 days)	29 434 585	12 879 933
31 - 60 days	15 747 297	8 225 852
61 - 90 days	13 935 875	8 010 654
91 - 120 days	486 729 868	369 532 619
Less: Allowance for impairment	(349 707 827)	(261 809 652)
	196 139 798	**136 839 406**

Staff debtor		
91 - 120 days	309 717	309 717

Trade debtor		
Current (0 -30 days)	2 280 670	2 713 670

Traffic Fines		
Current (0 -30 days)	91 237	237 485
31 - 60 days	84 389	136 175
61 - 90 days	63 334	112 380
91 - 120 days	37 544 322	32 019 668
Less: Allowance for impairment	(37 179 573)	(30 222 080)
	603 709	**2 283 628**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

5. Receivables from Non-Exchange Transactions (continued)

Summary of receivables by customer classification

Consumers		
Current (0 -30 days)	28 343 021	8 778 616
31 - 60 days	13 596 619	7 479 234
61 - 90 days	12 637 309	7 598 890
91 - 120 days	519 306 836	387 377 504
	573 883 785	411 234 244
Less: Allowance for impairment	(424 524 868)	(311 006 223)
	149 358 917	**100 228 021**

Industrial/ commercial		
Current (0 -30 days)	2 558 598	2 640 702
31 - 60 days	1 281 328	1 659 170
61 - 90 days	1 064 444	1 554 519
91 - 120 days	26 448 289	49 561 344
	31 352 659	55 415 735
Less: Allowance for impairment	(23 192 820)	(41 909 540)
	8 159 839	**13 506 195**

National and provincial government		
Current (0 -30 days)	8 244 842	10 823 047
31 - 60 days	4 394 442	2 693 549
61 - 90 days	3 809 030	2 569 662
91 - 120 days	77 143 286	55 666 049
	93 591 600	**71 752 307**

Total		
Current (0 -30 days)	39 237 698	22 479 849
31 - 60 days	19 356 778	11 968 128
61 - 90 days	17 510 783	11 723 072
91 - 120 days	663 033 120	527 647 951
	739 138 379	573 819 000
Less: Allowance for impairment	(484 897 261)	(383 137 844)
	254 241 119	**190 681 156**

Total		
Current (0 -30 days)	29 525 822	13 117 418
31 - 60 days	15 831 686	8 362 027
61 - 90 days	13 999 209	8 123 034
91 - 120 days	526 864 577	404 575 673
Less: Allowance for impairment	(386 887 399)	(292 031 732)
	199 333 895	**142 146 420**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

5. Receivables from Non-Exchange Transactions (continued)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(383 137 844)	(313 109 805)
Contributions to allowance	(94 801 924)	(70 028 039)
	(484 897 261)	**(383 137 844)**

Receivables from non-exchange transactions pledged as security

None of the receivables were pledged as security.

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

The municipality does not hold any collateral as security.

Receivables from non-exchange transactions impaired

As of 30 June 2019, receivables from non-exchange transactions of R386 887 400 (2018: R292 031 727) were impaired and provided for.

The amount of the provision for the year ended 30 June 2019 was R197 053 224 (2018: R139 432 750)

6. Inventories

Consumables	3 478 958	3 457 929
Water	114 274	124 806
	3 593 232	**3 582 735**

Reconciliation of inventory movement		
Opening balance	3 582 735	2 972 962
Purchases	764 961	781 153
Utilised	(739 018)	(171 380)
	3 608 678	**3 582 735**

Inventory pledged as security

At year end no inventory has been plegded as security.

7. Investments

Designated at fair value		
RMB Momentum - Account number RU 500434741	276 245	256 948
Sanlam: Guarantee Capital Fund - Policy number 9921774X7 End date: cover at death	108 438	100 377
Stanlib Classic Investment Plan - Account number IP0006247 Terms and conditions	663 146	616 046
Stanlib Extra Income Fund - Account number IP0006247 Terms and conditions	2 300 376	2 141 144
	3 348 205	**3 114 515**

Listed Investments at fair value		
Listed shares	1 034 994	927 866

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

7. Investments (continued)

	1 034 994	927 866
Impairments	-	-
	1 034 994	**927 866**
	3 348 205	3 114 515
	1 034 994	927 866
	-	-
Total other financial assets	**4 383 199**	**4 042 381**

Non-current assets		
At amortised cost	384 683	357 325

Current assets		
At amortised cost	2 963 522	2 757 190
Listed investment at fair value	1 034 994	927 866
	3 998 516	**3 685 056**

Non-current assets	384 683	357 325
Current assets	3 998 516	3 685 056
	4 383 199	**4 042 381**

Financial assets at fair value

Fair value information

Listed shares are carried at fair value:

The munuicipality owns 13 242 shares in Sanlam Limited which was trading at R78.16 (2018: R70.07) per share at each reporting period.

None of the financial assets that are fully performing have been renogitiated in the last year

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

Credit quality of investments

The credit quality of financial assets are neither past nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

8. Operating lease asset

Current assets	200 969	263 134
	200 969	**263 134**

At the reporting the municipality has outstanding commitments under operating leases which fall due as follows:

Operating lease as lessor		
Within in one year	-	123 713
In the second to fifth year	-	139 421
	-	**263 134**

Operating lease asset represent rentals receivable by municipality for premise/properties rented out. The lease was negotiaited for periods ranging from 2 months to 119 months. The rentals escalate on average between 5% and 10% per annum.

9. Investment property

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	35 327 000	-	35 327 000	69 903 786	-	69 903 786

Reconciliation of investment property - 2019

	Opening balance	Additions	Disposals	Fair value adjustments	Total
Investment property	69 903 786	591 000	(18 065 946)	(17 101 840)	35 327 000

Reconciliation of investment property - 2018

	Opening balance	Total
Investment property	69 903 786	69 903 786

Pledged as security

At year end no investment property has been pledged as security:

Details of property

Investment properties mainly consists of indsutrial and residential units.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

9. Investment property (continued)

Details of valuation

The valuations were performed by an independent valuer, Valuers Afrika, who are not connected to the municipality. This valuation was based on the market value for existing use.

Amounts recognised in surplus and deficit for the year.

Investment property located in (a foreign country: specify) is governed by that country's exchange controls and therefore the rental income and proceeds from any sale of that investment property are not available to the municipality:

Rental revenue in surplus and deficit for the year	1 266 594	1 035 983

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	115 551 700	-	115 551 700	115 551 700	-	115 551 700
Buildings	8 366 715	(3 561 303)	4 805 412	8 366 715	(3 117 492)	5 249 223
Infrastructure	1 427 568 787	(668 020 536)	759 548 251	1 303 232 385	(628 977 172)	674 255 213
Community	81 453 030	(14 872 478)	66 580 552	74 455 196	(11 990 772)	62 464 424
Infrastructure - work in progress	275 378 335	-	275 378 335	188 734 830	-	188 734 830
Landfill site	41 747 830	(10 115 673)	31 632 157	41 747 830	(8 389 831)	33 357 999
Other property, plant and equipment	34 206 508	(18 075 391)	16 131 117	26 123 081	(14 750 146)	11 372 935
Total	**1 984 272 905**	**(714 645 381)**	**1 269 627 524**	**1 758 211 737**	**(667 225 413)**	**1 090 986 324**

Reconciliation of property, plant and equipment - 2019

	Opening balance	**Additions**	**Transfers received**	**Transfers**	**Depreciation**	**Impairment loss**	**Total**
Land	115 551 700	-	-	-	-	-	115 551 700
Buildings	5 249 223	-	-	-	(306 585)	(137 226)	4 805 412
Infrastructure	674 255 213	33 075 207	13 623 066	77 582 166	(37 258 707)	(1 728 694)	759 548 251
Community	62 464 424	2 046 855	-	4 963 831	(2 494 316)	(400 242)	66 580 552
Work in progress	188 734 830	54 519 160	114 670 342	(82 545 997)	-	-	275 378 335
Landfill site	33 357 999	-	-	-	(1 725 842)	-	31 632 157
Other property, plant and equipment	11 372 935	8 378 436	-	-	(3 325 297)	(294 957)	16 131 117
	1 090 986 324	**98 019 658**	**128 293 408**	**-**	**(45 110 747)**	**(2 561 119)**	**1 269 627 524**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	115 551 700	-	-	-	-	-	-	-	115 551 700
Buildings	5 555 292	-	-	-	-	-	(306 069)	-	5 249 223
Infrastructure	691 664 684	9 222 520	-	(34 168)	10 455 671	-	(36 821 774)	(231 720)	674 255 213
Community	49 918 645	506 093	-	-	13 971 201	-	(1 931 515)	-	62 464 424
Infrastructure work in progress	134 494 286	78 667 416	-	-	-	(24 426 872)	-	-	188 734 830
Landfill site	35 079 113	-	-	-	-	-	(1 721 114)	-	33 357 999
Other property, plant and equipment	13 215 328	1 211 599	(231 988)	-	-	-	(2 675 681)	(146 323)	11 372 935
	1 045 479 048	**89 607 628**	**(231 988)**	**(34 168)**	**24 426 872**	**(24 426 872)**	**(43 456 153)**	**(378 043)**	**1 090 986 324**

Pledged as security

None of the above property, plant and equipment have been pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

10. Property, plant and equipment (continued)

Revaluations

The effective date of the revaluations was Thursday, 30 June 2016. Revaluations were performed by independent valuer, Valuers Afrika. Valuers Afrika is not connected to the municipality.

These assumptions were based on current market conditions.

Change in estimate

In terms of the requirements of GRAP 17 the useful lives of all asset items were reviewed by management at year end. The remaining useful live expectations of some asset items differed from previous estimates. This resulted in a revision of some of the previous estimates which was accounted for as a change in accounting estimate. The effect of this revision is a decrease in the depreciation charges for the current period of 2019 R (2018: 843 145)).

Details of property, plant and equipment

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	172 208 741	16 490 929	188 699 670
Additions/capital expenditure	155 738 338	13 464 463	169 202 801
Transferred to completed items	(77 582 166)	(4 963 831)	(82 545 997)
	250 364 913	**24 991 561**	**275 356 474**

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Total
Opening balance	119 660 315	14 833 969	134 494 284
Additions/capital expenditure	63 004 097	15 628 161	78 632 258
Transferred to completed items	(10 455 671)	(13 971 201)	(24 426 872)
	172 208 741	**16 490 929**	**188 699 670**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Infrustructure assets	-	13 784 136
Office furniture, equipment and tools	-	1 319 566
	-	**15 103 702**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

11. Payables from exchange transactions

Trade payables	134 111 985	134 940 699
Retentions	40 738 509	29 576 037
Payroll accruals- 13th Cheque	2 950 315	2 770 573
Accrued expense 2	(1 258 643)	-
Consumer deposits	467 613	458 957
1% social responsibility	8 734 544	7 773 784
Other payables	-	694 394
Income received in advance	13 992 658	7 647 801
Unallocated deposits	2 285 241	2 285 240
	202 022 222	**186 147 485**

Consumer deposits

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on consumer deoposits held.

12. Finance lease obligation

Minimum lease payments due		
- within one year	5 080 423	1 324 383
- in second to fifth year inclusive	5 504 777	1 487 674
	10 585 200	2 812 057
less: future finance charges	(1 108 435)	(272 782)
Present value of minimum lease payments	**9 476 765**	**2 539 275**

Present value of minimum lease payments due		
- within one year	4 353 604	1 133 200
- in second to fifth year inclusive	5 123 162	1 406 075
	9 476 766	**2 539 275**

Non-current liabilities	5 123 162	1 406 075
Current liabilities	4 353 604	1 133 200
	9 476 766	**2 539 275**

The average lease term is 3 years and the average effective borrowing rate is the prime rate. Interest rates are fixed at the contract date.
Some leases have fixed repayment terms and others escalate. No arrangements have been entered into for contingent rent.
Obligations under finance leases are secured by the lessor's title to the leased asset..

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Human settlement	357 432	357 432
Department of Local Government and Traditional Affairs	228 831	228 831
Department of Arts and Culture	199 666	199 666
LG SETA Grants	71 205	71 205
	857 134	**857 134**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

13. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	857 134	1 082 358
Additions during the year	131 890 000	133 903 179
Income recognition during the year	(131 890 000)	(134 128 403)
	857 134	**857 134**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 27 for reconciliation of grants from National/Provincial Government.

Figures in Rand	2019	2018

14. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Provision for rehabilitation	57 529 053	10 188 618	67 717 671
Legal proceedings	171 219	-	171 219
Leave	11 121 564	437 840	11 559 404
	68 821 836	**10 626 458**	**79 448 294**

Reconciliation of provisions - 2018

	Opening Balance	Additions	Change in discount factor	Total
Provision for rehabilitation	30 574 867	-	26 954 186	57 529 053
Legal proceedings	171 219	-	-	171 219
Leave	9 838 421	1 283 143	-	11 121 564
	40 584 507	**1 283 143**	**26 954 186**	**68 821 836**

Non-current liabilities	67 717 671	57 529 053
Current liabilities	11 730 623	11 292 783
	79 448 294	**68 821 836**

Provision for rehabilitation

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

The municipality engages in waste disposal operations from reidential and business areas within the following areas:.
- eManzanat
- Carolinat
- Ekulindeni
- Elukwatini
- Empuluzi

It is required from the municipality to execute an environmental management programme to restore the landfill sites after its

useful life. As such an assessment is required in order to calculate the landfill closure provision liability.

This assessment was performed using the General Landfill Closure Costing Model (GLCCM) that was developed by Mr Seakle

Godschalk Pr Sci Nat, GIMFO and Dr Maryna Möhr-Swart, both partners in Environmental & Sustainability Solutions (ESS).ESS has developed the GLCCM to estimate the final rehabilitation and closure costs for general landfills. The GLCCM is being

updated in cooperation with Jones and Wagener Consulting Civil Engineers (Pty) Ltd, a company that is actively involved in

rehabilitation and closure of landfill sites. The GLCCM standardises the determination of landfill closure costs between different

landfills and for the same landfill over time. The GLCCM is based on the Minimum Requirements for Waste Disposal by Landfill

of the Department of Water Affairs (1998), as amended by more recent regulations. The GLCCM provides a reliable best

Notes to the Annual Financial Statements

14. Provisions (continued)

possible estimate of closure costs in terms of paragraph .49 of GRAP 19 or paragraph 36 of IAS 37.

Additional text

The liability calculated using the GLCCM includes costs associated with:

- Pre-closure planning and approvals (four cost elements)
- Final rehabilitation and closure (seven cost elements)
- 30 years post-closure monitoring (seven costs elements)

Between 2011 and 2017, the GLCCM has been used to conduct 256 closure cost determination for 91 landfills controlled by 34

municipalities/entities spread over six provinces.

The landfill closure provision is calculated as the net present value of future cash flows.

Financial assumptions used

Unit costs

Unit costs for each of the cost elements are obtained annually by means of a commercial quotation.

Consumer price index (CPI)

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI

figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date.

The average of the CPI for the last quarter amounted to 4.4805%.

Discount rate

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the presentvalue of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the timevalue of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects currentmarket assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality).

Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than

corporate bond ratesto determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

The rate most consistent with the remaining life of the landfills published at the end of the quarter that includes the financial year-end date was used.

- For landfills with an expected remaining life of three years or less, the rate associated with a maximum period of 3years is used
- For landfills with an expected remaining life of four of five years, the rate associated with a maximum period of 5years is used.
- For landfills with an expected remaining life of more than five years, the rate associated with a maximum period of 10 years is used.

Heading

14. Provisions (continued)

Key financilal assumptions used

	For Carolina (old) landfill	For eManzana landfill	For Elukwatini, , Ekulindeni and Empuluzi landfills
CPI	4,1947 %	4,1947 %	4,1947 %
Discount rate	7,6947 %	7,9447 %	8,1947 %
Net effective discount rate	3,5000 %	3,7500 %	4,0000 %
	15,3894	**15,8894 %**	**16,3894 %**

Discounting of closure costs

The landfill closure provision is calculated as the net present value of future cashflows
.
The interest charge is calculated as the sum of the interest charges for all future cashflows calculated in the previous year and using the previous year's discount rate.

The discounted value of the liability for the closure of the landfills is shown in the Table below:

Description		
Landfill closure provision	67 717 671	57 529 053
Interest charge	4 100 721	2 555 552
	71 818 392	**60 084 605**

Current and non-current liability

The individual reports for the respective landfills must be consulted for an explanation of any disclosure of a current liability for landfill closure.

Description		
Current liability	-	-
Non-current liabilities	67 717 671	57 029 053
	67 717 671	**57 029 053**

The results of this assessment should be disclosed as follows in the financial statements.

Disclosures in the Statement of Financial Performance or the notes thereto:

Line item		
Change in landfill closure provision	6 087 897	24 398 633
Interest charge	4 100 721	2 555 552
	10 188 618	**26 954 185**

Disclosure in the Statement of Financial Position or the notes thereto:

Net Liability in Balance Sheet		
Opening balance	57 529 053	30 574 868
Change in landfill closure provision	6 087 897	24 398 633
Interest charge	4 100 721	2 555 552
	67 717 671	**57 529 053**

Provision for legal proceedings

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

14. Provisions (continued)

Legal proceedings are disclosed in the contingent liability note 41.

15. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(10 691 483)	(9 283 901)

Changes in the present value of the defined benefit obligation are as follows::

Opening balance		
Changes in the present value of the defined obligation are as follows:		
Opening Balance	-	9 587 082
Interest costs	-	819 535
Benefits paid	-	(769 892)
Actuary loss/(gain)	-	(352 824)

Net expense recognised in the statement of financial performance

Interest cost	806 907	819 535
Actuarial (gains) losses	1 441 911	352 824
	2 248 818	**1 172 359**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

15. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date (2019 and 2018)::

Discount rate:	8,70 %	9,08 %
Health care cost inflation rate	6,32 %	7,10 %
Net discount rate	2,24 %	1,85 %

The basis used to determine the overall expected rate of return on assets is as follow: [provide details]

Discount Rate
The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

We used the nominal and real zero curves as at 30 June 2018 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities..

Medical Aid Inflation
The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future

Mortality rates
Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and dependants
We assumed that the marital status of members who are currently married will remain the same up to retirement. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirementt

Salaries - Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases: [provide details]

Figures in Rand	2019	2018

15. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	880 700	751 600
Effect on defined benefit obligation	11 716 000	9 798 000

Amounts for the current and previous four years are as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	10 691 483	10 042 145	9 587 082	10 338 000	10 865 000

Figures in Rand	2019	2018

16. Long service award

As per government gazette an employee shall qualify for long service rewards in terms of leave days credits for the various periods of continuous service completed at the same employer as follows:
- After 5 years of service - 5 working days
- After 10 years of service - 10 working days
- After 15 years of service - 20 working days
- After 20 years of service - 30 working days
- After 25 years of service - 30 working days
- After 30 years of service - 30 working days
- After 35 years of service - 30 working days
- After 40 years of service - 30 working days
- After 45 years of service - 30 working days

The leave mentioned may be wholly or partially converted on the date on which an employee qualified or at any stage thereafter.

Long service benefits are awarded in the form of a number of leave days awarded once the employee completes a certain number of years in service.

Valuation of assets
The long service leave award liability of the municipality is unfunded. No dedicated assets had been set aside to meet this liability.

	2019	2018
Valuation of assets		
Carrying value	-	-
Present value	8 666 951	7 784 710
	8 666 951	**7 784 710**

	2019	2018
Changes in present value		
Opening Balance	7 784 710	6 405 496
Current service cost	756 489	650 951
Interest cost	626 782	514 568
Benefits paid	(909 123)	(710 456)
Actuarial loss/(gain)	408 093	924 151
	8 666 951	**7 784 710**

	2019	2018
Long service award accrual		
Current service cost	756 489	650 951
Interest cost	626 782	514 568
Actuarial loss/(gain)	408 093	924 151
	1 791 364	**2 089 670**

Key assumptions

Discount rate:	8.24%
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve
Normal salary increase rate:	Equal to CPI (5,60%) + 1%
Net effective discount rate:	2,50%

Average retirement age:
The average retirement age for all active employees was assumed to be 64 years. This assumption implicitly allows for ill-health and early retirements.

The effect of 1% p.a. change in the normal salary inflation assumption is as follows:	**One percentage point increase**	**Current valuation percentage**	**One percentage point decrease**
Total accrued liability	9 293 000	8 666 951	8 103 000

Notes to the Annual Financial Statements

Figures in Rand		2019	2018
Current service cost	823 000	756 489	698 000
Interest cost	673 000	626 782	585 100
	10 789 000	**10 050 222**	**9 386 100**

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the long service awards liability.

The interest cost is based on the discount rate assumption for the current valuation which is based on one point on the curve.

The amounts for the current annual reporting period and previous period:	8 666 951	7 784 710

17. Revaluation reserve

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2016. Revaluations were performed by an independent valuer, Value Africa. Value Africa are not connected to the Municipality.

The assumptions were based on current market conditions.

Opening balance	84 700 463	84 700 463

18. Revenue

Service charges	51 914 832	62 663 352
Rental income	1 296 695	1 176 541
Interest received - consumers	52 733 465	33 407 122
Licences and permits	31 438	2 745
Other income	1 677 787	3 097 490
Commissions received	223 830	-
Rental income	145 878	-
Gains on disposal of assets	-	554 057
Interest received - investment	3 815 335	2 660 776
Property rates	102 112 052	69 082 052
Government grants & subsidies	411 182 203	388 376 893
Donations	130 848 720	10 000
Fines	5 926 254	10 083 165
	761 908 489	**571 114 193**

Commissions received	223 830	-
Rental income	145 878	-
	111 839 260	**103 562 292**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	102 112 052	69 082 052
Transfer revenue		
Government grants & subsidies	411 182 203	388 376 893
Donations	130 848 720	10 000
Fines	5 926 254	10 083 165
	650 069 229	**467 552 110**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

19. Service charges

Sale of electricity	32 806 077	34 356 771
Sale of water	4 506 135	13 115 871
Sewerage and sanitation charges	7 135 516	6 526 695
Refuse removal	7 397 357	8 640 488
Other service charges	69 747	23 527
	51 914 832	**62 663 352**

20. Rental income

Facilities and equipment		
Rental of facilities	1 296 695	1 176 541
	1 296 695	**1 176 541**

21. Interest received- consumers

Interest received- consumers	52 735 310	33 407 122

22. Fines

Traffic Fines	5 926 254	10 083 165
	5 926 254	**10 083 165**

23. Licences and permits

Licenses	31 438	2 745

24. Other income

Billboards	1 677 787	1 283
Building plan fees	-	308 220
Burial service fees	-	147 134
Clearance certificates	223 830	10 335
Photocopies	-	9 881
Connection services	145 878	99 572
Fire brigade fees	-	38 472
Proof of residence	-	434 783
Sale of stands	-	180 683
Sundry fees	-	1 533 713
Tempering of meters	-	96 723
Refunds	-	14 117
Tender deposits	-	200 777
Posters	-	21 797
	2 047 495	**3 097 490**

25. Interest received - investments

Interest revenue		
Unlisted investments at amortised cost	3 815 335	2 660 985

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

26. Property rates

Rates received

Residential	96 525 757	59 805 353
Commercial	3 236 082	3 476 792
Municipal	2 350 213	-
	102 112 052	**69 082 052**

Valuations

Residential	1 590 692 700	1 590 692 700
Commercial	613 470 900	613 470 900
State	1 712 977 000	1 712 977 000
Municipal	1 504 221 500	1 504 221 500
Agriculture	2 435 210 060	2 435 210 060
Other	1 833 807 920	1 833 807 920
	9 690 380 080	**9 690 380 080**

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2016. The valuations were performed by an independent valuer, Valuers Afrika, who are not connected to the municipality..

Interim valuations performed in the current year.

The new general valuation was implemented on 01 July 2016.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

27. Government grants and subsidies

Operating grants		
Equitable share	278 934 000	254 241 000
Capital grants		
Department of Water and Forestry Affairs	34 674 000	35 000 000
Department of Energy	8 334 000	7 000 000
Expanded Public Works Programme	1 901 000	1 477 000
FMG	1 700 000	1 700 000
LGSETA Grant	358 203	341 923
Municipal Infrastructure Grant	85 281 000	88 616 970
	132 248 203	**134 135 893**
	278 934 000	254 241 000
	132 248 203	134 135 893
	411 182 203	**388 376 893**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Human settlement

Balance unspent at beginning of year	357 432	357 432
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	357 432	**357 432**

The grant was intended for highmast installation.

Financial Management Grant

Balance unspent at beginning of year	-	-
Current-year receipts	1 700 000	1 700 000
Conditions met - transferred to revenue	(1 700 000)	(1 700 000)
	-	**-**

The grant was intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act. .t

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Expanded Public Work Programme

Balance unspent at beginning of year	-	-
Current-year receipts	1 901 000	1 477 000
Conditions met - transferred to revenue	(1 901 000)	(1 477 000)
	-	**-**

The Expanded Public Works Programme is one of government's key programmes aimed at providing poverty and income relief through temporary work for the unemployed. The EPWP integrated grant for municipalities is intended to act as a supplementary source of funding for labour-intensive projects.

Figures in Rand	2019	2018

27. Government grants and subsidies (continued)

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Department of Co-opertive Governance and Traditional Affairs

Balance unspent at beginning of year	228 831	228 831
Current-year receipts	-	-
	228 831	**228 831**

The grant is intended for the construction of the ring in Silobela which is funded by the department of Co-operative Governance and Traditional Affairs.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Department of Water and Sanitation

Current-year receipts	34 674 000	35 000 000
Conditions met - transferred to revenue	(34 674 000)	(35 000 000)
	-	-

The grant was intended to fund bulk, connector and internal infrastructure of water services at a basic level of service. Condition met and transferred to revenue.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Department of Arts and Culture

Balance unspent at beginning of year	199 666	199 666

The grant is intended to improve the social economic situation.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Municipal Infrastructure Grant

Current-year receipts	85 281 000	88 616 000
Conditions met - transferred to revenue	(85 281 000)	(88 616 000)
	-	-

The grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Department of Energy

Balance unspent at beginning of year	-	-

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

27. Government grants and subsidies (continued)

Current-year receipts	8 334 000	7 000 000
Conditions met - transferred to revenue	(8 334 000)	(7 000 000)
	-	-

The grant is intended to fund energy efficient lighting technologies in municipal building, street and traffic lighting infrastructure.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

LG SETA GRANT

Balance unspent at beginning of year	71 205	296 428
Current-year receipts	358 203	110 180
Conditions met - transferred to revenue	(358 203)	(335 403)
	71 205	**71 205**

The grant is intended for sending the staff of municipality for training by the corporate service.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014

28. Donations

Donations	130 848 720	10 000

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

29. Employee related costs

Basic	95 227 786	92 518 747
Bonus	6 780 355	7 300 365
Medical aid - company contributions	4 837 371	7 889 819
UIF	3 291 468	745 953
Bargaining council	758 131	43 090
SDL	2 287 907	1 262 406
Leave pay accrual	-	1 283 144
Pension fund	10 945 630	17 573 549
Provident fund	-	702 678
Travel, motor car, accommodation, subsistence and other allowances	1 868 007	10 896 232
Overtime payments	5 135 499	3 574 667
Long-service awards	742 117	296 310
Acting allowances	2 998 257	1 375 253
Restday allowance	-	977 019
Housing benefits and allowances	26 653 536	1 508 361
Acturial (gain)/ loss	-	571 327
Standby allowances	2 022 503	9 321 001
Telephone allowances	466 895	88 800
Interest cost on acturial valuations	-	1 985 054
Other expenses	1 463 716	-
Long-term benefits - incentive scheme	437 840	-
	165 917 018	**159 913 775**

Remuneration of Municipal Manager

Annual Remuneration	810 069	750 354
Car Allowance	240 000	240 000
Contributions to UIF, Medical and Pension Funds	202 898	191 565
Cellphone Allowance	24 000	24 000
Rural Allowance	53 955	51 166
13th Cheque	112 406	106 646
	1 443 328	**1 363 731**

Remuneration of Chief Finance Officer

Annual Remuneration	819 780	383 427
Car Allowance	165 943	82 971
Contributions to UIF, Medical and Pension Funds	128 522	62 147
Rural Allowance	44 104	20 922
Cell Phone Allowance	12 000	-
	1 170 349	**549 467**

Remuneration of Director: Community and Public safety : Shabangu JW

Annual Remuneration	824 561	777 255
Car Allowance	78 000	78 000
Contributions to UIF, Medical and Pension Funds	88 537	83 986
Acting Allowance	7 376	5 599
Rural Allowance	39 203	37 194
Cellphone Allowance	12 000	-
	1 049 677	**982 034**

Remuneration of Director:Corporate Services: Mndebele SF

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

29. Employee related costs (continued)

Annual Remuneration	198 381	793 525
Car Allowance	19 500	78 000
Acting Allowance	2 804	-
Contributions to UIF, Medical and Pension Funds	48 401	180 379
Rural Allowance	10 461	41 844
Termination Leave	200 859	-
Cell Phone Allowance	3 000	-
	483 406	**1 093 748**

Remuneration of Director: Planning and Economic Development: Lukhele TA

Annual Remuneration	842 104	791 826
Car Allowance	60 000	60 000
Contributions to UIF, Medical and Pension Funds	211 415	200 483
Rural Allowance	44 104	41 844
Acting Allowance	7 881	2 804
Cellphone Allowance	12 000	-
	1 177 504	**1 096 957**

Remuneration of Acting Director: Technical Services: Magubane MP

Annual Remuneration	51 135	494 691
Car Allowance	15 000	150 144
Cellphone Allowance	1 000	-
Contributions to UIF, Medical and Pension Funds	12 158	124 302
Acting Allowance	-	303 178
Rural Allwance	3 100	-
Long Service Award	-	4 947
13th Cheque	-	41 224
	82 393	**1 118 486**

The remmuneration of staff is within the upper limits of the SALGA burgaining council determinations

30. Remuneration of councillors

Executive Mayor	-	-
Speaker	100	100
Chief Whip	100	-
Mayoral Committee	-	-
Councillors	-	100
	200	**200**

Figures in Rand	2019	2018

30. Remuneration of councillors (continued)

In-kind benefits

The Executive Mayor is provided with a vehicle, driver, secretary, manager and personal assistant at the cost of the council.

The Chief Whip is provided with a secretary and personal assistant.

The Speaker is provided with secretarial support, a manager and personal assistant.

All the full time Mayoral committee members are provided with one secretary.

Members of municipal council should be remunerated within the upper limits as determined by the Department of Cooperative Governance and Traditional Affairs. Any deviations are disclosed as irregular expenditure.

Remuneration of Councillors:

The remuneration of the political office bearers and councillors are within the upper limits as determined by the framework envisaged section 219 of the Constitution.

30. Remuneration of councillors (continued)

2019	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Executive Mayor	-	-	-	-	-	-
Nkosi D.P	721 857	-	44 400	105 891	6 691	878 839
Subtotal	721 857	-	44 400	105 891	6 691	878 839
	721 857	**-**	**44 400**	**105 891**	**6 691**	**878 839**

2019	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Speaker	-	-	-	-	-	-
Mngomezulu M.W	371 494	165 550	44 400	125 156	5 694	712 294
Subtotal	371 494	165 550	44 400	125 156	5 694	712 294
	371 494	**165 550**	**44 400**	**125 156**	**5 694**	**712 294**

2019	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Chief Whip	-	-	-	-	-	-
Sidu L.L	375 799	155 203	44 400	89 811	5 287	670 500
Subtotal	375 799	155 203	44 400	89 811	5 287	670 500
	375 799	**155 203**	**44 400**	**89 811**	**5 287**	**670 500**

2019	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Mayoral Committee Members	-	-	-	-	-	-
Nkosi S.Z	369 768	155 203	44 400	95 842	5 304	670 517
Makhubela N.V	381 830	155 203	44 400	83 780	5 270	670 483
Magagula P	375 639	155 203	44 400	89 971	5 288	670 501
Mnisi-Nkosi N	406 046	155 203	44 400	59 563	5 200	670 412
Subtotal	1 533 283	620 812	177 600	329 156	21 062	2 681 913
	1 533 283	**620 812**	**177 600**	**329 156**	**21 062**	**2 681 913**

2019	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Councillors	-	-	-	-	-	-
Cindi N.R	171 331	65 488	44 400	25 133	2 451	308 803
Ginidza S.V	355 759	152 085	44 400	100 496	5 226	657 966
Dludlu Z.M	228 441	-	44 400	33 511	2 421	308 773
Lubede E.J	171 331	65 488	44 400	25 133	2 451	308 803
Mbhele J.S	171 331	65 488	44 400	25 133	2 451	308 803
Motaung R.M	228 441	-	44 400	33 511	2 421	308 773
Mthombeni S.F	204 685	84 043	44 400	47 444	3 063	383 635
Ngubeni A	171 331	65 488	44 400	25 133	2 451	308 803
Nkosi A.D	171 331	65 488	44 400	25 133	2 451	308 803
Nkosi G.J	153 147	65 488	44 400	43 317	2 503	308 855
Nkosi J.S	201 690	84 043	44 400	50 438	3 072	383 643
Nkosi V.L	140 646	65 488	44 400	55 818	2 539	308 891
Shabangu L.D	236 318	84 043	44 400	-	3 480	368 241
Sikhakhane N.B	171 331	65 488	44 400	25 133	2 451	308 803
Simelane J.D	123 980	-	23 648	16 427	1 326	165 381
Thomo N.G	195 746	84 043	44 400	56 383	3 089	383 661
Thabede M.J	41 067	15 742	11 100	6 160	591	74 660
Mthembu M.S	171 331	65 488	44 400	25 133	2 451	308 803
Malaza M.A	171 331	65 488	44 400	25 133	2 451	308 803

30. Remuneration of councillors (continued)

Nkosi B.G	165 186	65 488	44 400	31 278	2 469	308 821
Ngwenya R.D	293 166	-	44 400	43 005	2 981	383 552
Nkosi T.S	171 331	65 488	44 400	25 133	2 451	308 803
Nkosi T.B	171 331	65 488	44 400	25 133	2 451	308 803
Shongwe J.D	180 457	54 993	44 400	26 502	2 446	308 798
Jele J.J	171 331	65 488	44 400	25 133	2 451	308 803
Nkosi T.J	171 331	65 488	44 400	25 133	2 451	308 803
Nhlabathi N.C	171 331	65 488	44 400	25 133	2 451	308 803
Khumalo M.J	171 331	65 488	44 400	25 133	2 451	308 803
Mkhwanazi H.L.Z	153 147	65 488	44 400	43 317	2 503	308 855
Zulu G.G	171 331	65 488	44 400	25 133	2 451	308 803
Ngoma Z.S.G	171 331	65 488	44 400	25 133	2 451	308 803
Van Der Walt L	135 941	65 488	44 400	60 523	2 553	308 905
Ntjana M.L	171 331	65 488	44 400	25 133	2 451	308 803
Matsaba K.A	156 141	65 488	44 400	40 323	2 495	308 847
Hlabathi P.Z	180 457	54 993	44 400	26 502	2 446	308 798
Zwane F.C	204 313	-	44 400	57 639	2 491	308 843
Ndebele J.C.H	155 478	65 488	44 400	40 986	2 496	308 848
Nkosi S.P	171 331	65 488	44 400	25 133	2 451	308 803
Zulu W	213 252	-	44 400	48 700	2 465	308 817
Mbuli T.G	171 331	65 488	44 400	25 133	2 451	308 803
Mnisi S.T	171 331	65 488	44 400	25 133	2 451	308 803
Kgwedi T	210 189	-	40 700	30 773	2 227	283 889
Nkosi D	173 686	-	33 300	25 297	1 838	234 121
Dube S	37 964	-	7 400	5 695	401	51 460
Subtotal	7 795 917	2 382 161	1 847 748	1 426 705	108 562	13 561 093
	7 795 917	**2 382 161**	**1 847 748**	**1 426 705**	**108 562**	**13 561 093**

2018	**Basic Salary**	**Travel Allowance**	**Cellphone Allowance**	**Pension and Medical Aid**	**SDL**	**Total**
Executive Mayor	-	-	-	-	-	-
Nkosi D.P	695 394	-	49 932	100 519	6 532	852 377
Subtotal	695 394	-	49 932	100 519	6 532	852 377
	695 394	**-**	**49 932**	**100 519**	**6 532**	**852 377**

2018	**Basic Salary**	**Travel Allowance**	**Cellphone Allowance**	**Pension and Medical Aid**	**SDL**	**Total**
Speaker	-	-	-	-	-	-
Mngomezulu M.W	360 847	159 213	49 932	116 701	5 555	692 248
Subtotal	360 847	159 213	49 932	116 701	5 555	692 248
	360 847	**159 213**	**49 932**	**116 701**	**5 555**	**692 248**

2018	**Basic Salary**	**Travel Allowance**	**Cellphone Allowance**	**Pension and Medical Aid**	**SDL**	**Total**
Chief Whip	-	-	-	-	-	-
Sidu L.L	362 360	149 234	49 932	85 342	5 169	652 037
Subtotal	362 360	149 234	49 932	85 342	5 169	652 037
	362 360	**149 234**	**49 932**	**85 342**	**5 169**	**652 037**

2018	**Basic Salary**	**Travel Allowance**	**Cellphone Allowance**	**Pension and Medical Aid**	**SDL**	**Total**
Mayoral Committee	-	-	-	-	-	-
Nkosi S.Z	356 617	149 234	49 932	91 085	5 186	652 054
Makhubela N.V	370 224	149 234	49 932	77 478	5 147	652 015

30. Remuneration of councillors (continued)

Magagula P	362 207	149 234	49 471	85 495	5 165	651 572
Mnisi-Nkosi N	391 160	149 234	49 932	56 542	5 086	651 954
Subtotal	1 480 208	596 936	199 267	310 600	20 584	2 607 595
	1 480 208	**596 936**	**199 267**	**310 600**	**20 584**	**2 607 595**

2018	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Councillors	-	-	-	-	-	-
Cindi N.R	172 126	65 254	49 932	23 636	2 526	313 474
Ginindza S.V	364 472	148 004	49 471	89 586	5 259	656 792
Dludlu Z.M	222 887	7 235	49 932	30 894	2 503	313 451
Mbhele J.S	172 126	65 254	49 932	23 636	2 526	313 474
Motaung R.M	222 887	7 235	49 932	30 894	2 503	313 451
Mthombeni S.F	206 429	83 742	49 932	44 799	3 142	388 044
Ngubeni A	172 126	65 254	49 932	23 636	2 526	313 474
Nkosi A.D	172 126	65 254	49 932	23 636	2 526	313 474
Lubede E.J	172 126	65 254	49 932	23 636	2 526	313 474
Nkosi G.J	154 811	65 254	49 932	40 951	2 576	313 524
Nkosi J.S	212 067	83 742	49 932	39 160	3 126	388 027
Nkosi V.L	143 949	65 254	49 932	51 813	2 607	313 555
Shabangu L.D	220 895	83 742	49 932	-	3 378	357 947
Sikhakhane N.B	172 126	65 254	49 932	23 636	2 526	313 474
Simelane J.D	222 887	7 235	49 932	30 894	2 503	313 451
Thomo N.G	198 914	83 742	49 932	53 313	3 166	389 067
Thabede M.J	171 555	65 064	49 471	23 636	2 514	312 240
Mthembu M.S	171 555	65 064	49 471	23 636	2 514	312 240
Malaza M.A	171 555	65 064	49 471	23 636	2 514	312 240
Nkosi B.G	157 089	65 064	49 471	38 102	2 556	312 282
Ngwenya R.D	285 305	9 041	49 471	39 647	3 057	386 521
Nkosi T.S	160 428	65 064	49 471	34 763	2 546	312 272
Nkosi T.B	171 555	65 064	49 471	23 636	2 514	312 240
Shongwe J.D	222 316	7 045	49 471	30 894	2 491	312 217
Jele J.J	171 555	65 064	49 471	23 636	2 514	312 240
Nkosi T.J	222 316	7 045	49 471	30 894	2 491	312 217
Nhlabathi N.C	171 555	65 064	49 471	23 636	2 514	312 240
Khumalo M.J	171 555	65 064	49 471	23 636	2 514	312 240
Mkhwanazi H.L.Z	154 240	65 064	49 471	40 951	2 564	312 290
Zulu G.G	171 555	65 064	49 471	23 636	2 514	312 240
Ngoma Z.S.G	171 555	65 064	49 471	23 636	2 514	312 240
Van Der Walt L	136 859	65 064	49 471	58 331	2 614	312 339
Ntjana M.L	193 079	40 312	49 471	26 864	2 502	312 228
Matshaba K.A	207 850	7 045	49 471	45 360	2 533	312 259
Hlabathi P.Z	222 316	7 045	49 471	30 894	2 491	312 217
Zwane F.C	199 335	7 045	49 471	53 874	2 557	312 282
Ndebele J.C.H	157 184	55 163	49 471	47 908	2 575	312 301
Nkosi S.P	171 555	65 064	49 471	23 636	2 514	312 240
Zulu W	206 668	7 045	49 471	46 542	2 536	312 262
Mbuli T.G	217 747	5 522	45 783	30 894	2 396	302 342
Mnisi S.T	169 841	64 492	48 088	23 636	2 479	308 536
Khoza D.P	185 138	5 141	38 265	25 418	2 042	256 004
Subtotal	8 016 215	2 159 546	2 068 420	1 395 452	111 489	13 751 122
	8 016 215	**2 159 546**	**2 068 420**	**1 395 452**	**111 489**	**13 751 122**

31. Depreciation and Impairments

	2019	2018
Property, plant and equipment	46 895 325	43 837 995

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

32. Finance costs

Rehabilitation of landfill sites	10 188 618	26 954 186
Trade and other payables	-	31 379
Finance leases	681 836	119 069
Other interest paid	1 266 594	-
	12 137 048	**27 104 634**

33. Rehabilitation provision movement

Landfill sites	10 188 618	26 954 186

34. Debt impairment

Debt impairment	101 759 417	70 028 039

35. Bulk purchases

Electricity	84 412 432	36 728 301
Water	-	7 479
	84 412 432	**36 735 780**

Electricity distribution losses are based on units purchased per invoices received fom Eskom and units sold per prepaid reports and debtots system. It was determined to be R 4 663 155.60 (2018: R4 060 974.29) and 23 620 447.59 units (2018: 23 990 160.40) for the financial year ending 30 June 2019

Water distribution losses are based on the kilolitres of water produced (8 287 325) and total water distributed (4 050 040) and the estimated loss is (4 237 285) which is 51,13%

36. Contracted services

Presented previously		
Consultants	23 967 996	17 862 455
Security Services	16 639 356	18 262 939
Operational contracts	21 268 721	3 769 853
Stand-by Contractors	-	603 520
Other Contractors	967 178	188 018
	62 843 251	**40 686 785**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

37. General expenses

Audit committee fees	-	201 748
Advertising	2 332 224	248 334
External audit fees	3 906 905	3 166 285
Bank charges	(8 303 056)	415 105
Commission paid	36 261	149 644
Computer expenses	1 086 505	-
Legal expenses	4 926 248	2 804 877
Consumables	14 285 698	(219 764)
Entertainment	86 750	79 316
Insurance	1 001 683	2 238 454
Lease rentals on operating lease	-	537 296
Magazines, books and periodicals	-	1 767 027
Motor vehicle expenses	4 768 025	3 567 005
Postage and courier	-	1 817 015
Printing and stationery	1 050 303	811 700
License fees	177 802	2 813 756
Staff welfare	-	188 291
Subscriptions and publications	-	515 472
Telephone and fax	5 394 878	2 503 079
Transport and freight	5 770 785	1 741 531
Training	3 403 440	301 325
Assets expensed	130 299	-
Uniforms and overalls	-	1 374 238
Committee costs	4 588 505	3 155 491
Spatial planning	-	4 950
VIP toilets not capitalised	13 438 288	13 732 510
Local economic development	-	220 945
Interview costs	2 411 199	15 134
Chemicals	-	8 324 869
Convention bureau	-	1 218 474
Hostel charges	606 988	(1 178 119)
Other expenses	9 467 457	3 385 410
	70 567 187	**55 901 398**

38. Fair value adjustments

Investment property (Fair value model)	(16 510 840)	-

39. Auditors' remuneration

Fees	3 906 905	3 166 285

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

40. Cash generated from operations

Surplus	164 109 689	102 992 492
Adjustments for:		
Depreciation and amortisation	46 895 325	43 837 995
Gain (loss) on sale of assets and liabilities	18 065 946	(554 057)
Fair value adjustments	16 510 840	-
Finance costs - Finance leases	681 836	-
Rehabilitation provision movement	-	26 954 186
Debt impairment	101 759 417	70 028 039
Bad debts written off	185 733	-
	62 165	-
Acturial loss on long service	1 407 582	571 326
Provision for leace	10 626 458	1 283 144
Interest on long service awards	1 878 713	1 985 054
Donations received	(130 848 720)	-
Changes in working capital:		
Inventories	(10 497)	(609 773)
Receivables from exchange transactions	(89 739 749)	(67 444 109)
Other receivables from non-exchange transactions	(23 411 176)	(30 047 767)
Payables from exchange transactions	15 874 737	(48 310 313)
VAT	1 707 420	258 174
Unspent conditional grants and receipts	-	(225 224)
	135 755 719	**100 718 958**

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure	418 561 724	331 128 643
Total capital commitments		
Already contracted for but not provided for	418 561 724	-

Authorised operational expenditure

Already contracted for but not provided for		
• Operational	70 733 260	39 612 174
Total operational commitments		
Already contracted for but not provided for	70 733 260	-

This committed expenditure relates to infrastructure and community assets and will be financed by accumulated surpluses and extended funding

42. Contingencies

Litigations in the process against the Municipality relating to civil claims include the following:	**2019**	**2018**
Grand Valley Estates (Pty) Ltd	26 680 000	26 000 000
Sifiso Thela	232 384	232 384
I @ Consulting	2 750 131	2 750 131
Minister of Water and Sanitation	4 500 000	4 500 000
Maximum Profit Recovery Pty Ltd	2 902 874	2 902 874
Khumalo Mantombi Martha obo Khumalo Sabelo Xolane	10 000 000	10 000 000
Memba Edwin Sibanyoni (Plaintiff)	-	115 886
	47 065 389	**46 501 275**

Grand Valley Estate
This claim stems from the dispute over the farms around Badplaas. The plaintiffs are claiming loss of future income and goodwill while on the other hand the farms are a subject of a land claim in the Land Claims Commission. The Municipality is cited as party for failure to comply with various forms of legislations. The summons has been served to the Municipality on the 6th of July 2010. Management estimate of the financial exposure (legal cost) R1 500 000.

Germiston West CC
An order was granted against the Municipality to take steps against (Cambridge Dlamini) and other occupiers of the property for an interdict to stop the building activities on this property and to proceed with the eviction of the occupiers on the property, the estimated legal costs are R600 000.

Sukuma Mswati Communial Property
On this matter the plaintiff is stopping the municipality to render services at their farms. The estimated legal costs are R90 000.

Sifiso Thela vs Municipality
Plantiff is suing council in respect of damages suffered as a result of a motor vehicle accident that occurred between his car and that of the council. The potential liability is estimated at R232,384.33.

I@consulting
On this matter the notice of intent to defend is drafted, Attorneys are awaiting the advocates confirmation on the consultation at the court. The potancial liability is estimated at R2,750,131.

Minister of Water and Sanitation
The Council is sued for R4,500,000 plus mora interest at a rate of 10.5% per annum from the date of issuing summon to the date of payment thereof, in respect of water use charges.The financial exposure (legal cost) is R290,000.

Maximum Profit Recovery Pty Ltd
The applicant was seeking an interdict from Court Mandating Council to honour in terms of service agreement concluded between the parties. The financial exposure is R2,902,874. Management estimate of financial exposure (legal cost) is R284,155.75

Khumalo Mantombi Martha obo khumalo Sabelo Xolane
The Plaintiff is suing Council amount of R10,000,000 in respect of delictual claim. It is alleged that the child of the plantiff was electrocuted and was severe burnt by a live electric cable which carries 400 to 415 volts and as direct consequences thereof, he sustain serious and permanent injuries on his body. The estimated legal costs are R265,000.

Memba Edwin Sibanyoni
The matter has been settled.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

43. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note 28

No transactions were entered into with related parties to the municipalitues and close family members during the year.

44. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2019**	**2018**
Cash and cash equivalents	170 503 145	11 627 166
Receivables from exchange transactions	84 608 241	56 308 823
Receivables from non-exchange transactions	232 162 926	141 836 703
Other financial assets	4 032 764	3 685 056

45. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

46. Unauthorised expenditure

Opening balance	57 690 278	57 478 201
Unauthorised expenditure	-	212 077
	57 690 278	**57 690 278**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

47. Fruitless and wasteful expenditure

Opening Balance	21 967 954	18 118 783
Eskom - Interest	1 328 252	1 683 003
SARS: Interest and penalties	17 687	1 910 395
Auditor General	34 473	185 143
Telkom	1 521	1 943
SALAPF	-	663
MCPF	-	2 521
Sanlam	-	17 370
NFMW	-	16 232
GEPF	-	201
MEPF	-	31 700
	23 349 887	**21 967 954**

48. Irregular expenditure

Opening balance	393 913 283	353 282 824
Add: Irregular Expenditure - current year	18 279 038	40 630 459
	412 192 321	**393 913 283**

Analysis of expenditure awaiting condonation per age classification

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Advert for less than prescribed period	None	2 546 655
Bid adjudication committee not complying with Regulation 29(2)	None	1 925 046
Procurement process not followed	None	12 513 422
Local content not implemented	None	1 293 915
		18 279 038

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	5 682	5 682
Current year subscription / fee	89 530	86 180
Amount paid - current year	(82 198)	(80 498)
Amount paid - previous years	(5 682)	(5 682)
	7 332	**5 682**

Audit fees

Opening balance	951 742	5 711 161
Current year subscription / fee	5 405 112	2 026 158
Amount paid - current year	(4 541 809)	(2 040 860)
Amount paid - previous years	(951 742)	(4 744 717)
	863 303	**951 742**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

49. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Opening balance	4 734 003	18 418 023
Current year subscription / fee	28 964 899	24 773 048
Amount paid - current year	(26 185 320)	(24 039 045)
Amount paid - previous years	(4 734 003)	(14 418 023)
	2 779 579	**4 734 003**

Pension and Medical Aid Deductions

Opening balance	9 339 628	9 339 627
Current year subscription / fee	46 654 894	43 497 644
Amount paid - current year	(44 101 898)	(34 158 016)
Amount paid - previous years	(9 339 628)	(9 339 627)
	2 552 996	**9 339 628**

VAT

VAT receivable	22 607 359	24 314 779

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Shabangu L.D	15 441	38 100	53 541
Malaza M.A	951	13 802	14 753
Van der Walt L	83	2 159	2 242
Jele JJ	32	1 087	1 119
Ngoma Z	843	1 544	2 387
Zulu W	700	26 886	27 586
	18 050	**83 578**	**101 628**

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Simelane JD	168	1 185	1 353
Mnisi TS	830	17 411	18 241
Mbuli TG	33	2 664	2 697
Jele JJ	203	1 211	1 414
Malaza MA	827	13 011	13 838
Zulu W	1 239	26 658	27 897
Shongwe JD	310	4 092	4 402
Shabangu LD	15 386	50 127	65 513
Thabethe MJ	308	3 898	4 206
Magagula MP	547	4 385	4 932
	19 851	**124 642**	**144 493**

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Sole Service Provider	-	6 000

50. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

51. VAT receivable

VAT	22 607 359	24 314 779

Figures in Rand	2019	2018

52. VAT payable

53. Budget differences

Material differences between budget and actual amounts

Interested received- consumers
Due to non-payment of consumers and increase in consumer debtors

Other income
Reclassification of interest income

Property rates
Due to increase in tariffs and implementation of supplementary valuation roll

Interest, dividends and rent on land
Rental on investment property and other municipal facilities

Government grants and susidies
Capital conditional grants recognises revenue

Public cotributions and donations
Donations from Gert Sibande District Municipality

Personnel
As a result of increase in overtime, standby and acting allowances. Implementation of increases as per bargaining agreements

Finance costs
Interest on outstanding invoices from Eskom

Debt impairement
Due to non-payment of consumers as result is it doubtful that the arrears will be collected

Transfers and subsidies
Appropriation of conditional grants as per DORA

General expenses
Transfer of capital projects like VIP toilets to beneficiaries and the need for the purchshing of materials for depilated infrastructure

Fair value adjustments
Fair value of investment property